

## Message Text

CONFIDENTIAL

PAGE 01 STATE 177466  
ORIGIN SPTA-02

INFO OCT-01 ARA-10 ISO-00 L-03 H-01 TRSE-00 SS-15  
NSC-05 CIAE-00 INR-10 NSAE-00 PM-05 DODE-00 /052 R

DRAFTED BY S/PTA:MJSPEAR:EMB  
APPROVED BY S/PTA:AMB. POPPER  
L - MKOZAK (IN DRAFT)  
ARA/PAN - JHAAHR  
H - BFRAWLEY

-----006782 140238Z /62

R 132204Z JUL 78  
FM SECSTATE WASHDC  
TO AMEMBASSY PANAMA

CONFIDENTIAL STATE 177466

E.O. 11652: GDS

TAGS: PEPR, PN

SUBJECT: PANAMANIAN DEBTS TO THE PANAMA CANAL COMPANY/CANAL  
ZONE GOVERNMENT

REFERENCES: A) STATE 076562; B) PANAMA 2072; C) PANAMA 2229

1. IN REFTTEL B THE AMBASSADOR PROPOSED THAT US AND PAN-  
AMANIAN REPRESENTATIVES MEET AND IDENTIFY THOSE PANAMANIAN  
DEBTS TO THE CANAL COMPANY/ZONE GOVERNMENT WHICH ARE UN-  
CONTESTED AND WORK OUT A REPAYMENT SCHEDULE. THEY WOULD  
TRY TO RESOLVE DIFFERENCES ON THOSE DEBTS WHICH ARE CON-  
TESTED, AND IF THIS WAS NOT POSSIBLE, RESORT TO SOME FORM  
OF ARBITRATION. THE FOREIGN MINISTER AND TREATY ADVISORS  
FOUND THIS PROPOSAL REASONABLE.

2. ON APRIL 4 THE FOREIGN MINISTER PROVIDED A STATEMENT  
(REFTEL C) THAT ACKNOWLEDGED THAT WITH RESPECT TO CHARGES  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 177466

RELATED TO THE LEPROSARIUM, WATER, AND RUBBISH COLLECTION,  
SOME BILLS WERE ACCEPTED BY THE GOP WHILE OTHERS WERE  
DISPUTED. A PROCEDURE WAS PROPOSED UNDER WHICH DEBTS TO  
THE U.S. RECOGNIZED BY PANAMA WOULD BE PAID OVER A PERIOD  
OF FIVE YEARS FOLLOWING ENTRY INTO FORCE OF THE TREATIES.  
DISPUTED CHARGES WOULD BE NEGOTIATED BY THE TWO GOVERN-

MENTS TO ARRIVE AT A SATISFACTORY SOLUTION PROMPTLY.

3. THE DEPARTMENT HAS RECEIVED THE "SUMMARY, GOVERNMENT OF PANAMA INDEBTEDNESS TO THE PANAMA CANAL COMPANY/CANAL ZONE GOVERNMENT" AS OF MARCH 31, 1978 PREPARED BY THE OFFICE OF THE FINANCIAL VICE PRESIDENT OF THE COMPANY. A REVIEW OF THIS DOCUMENT INDICATES THE FOLLOWING:

APPARENTLY UNDISPUTED CHARGES:

1. WATER PROCESSING COSTS - 1959 - \$660,291  
1960 - 816,668  
1975 - 128,746  
1976 - 615,410  
1978 - 430,054

2. PALO SECO HOSPITAL - \$5,060,847 (THRU 3/78)

3. GARBAGE DISPOSAL, COLON - \$ 362,803(THRU 3/78)

4. ALL OTHER CHARGES - \$ 424,295 (LESS  
\$8,412 CURRENT,

PROBABLE DISPUTED CHARGES:

1. WATER PROCESSING COSTS - 1959 - \$127,436  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 177466

1960 - \$ 81,953

DETAILS OF THESE CHARGES ARE BEING POUCHED TO THE EMBASSY.

4. FOLLOWING UP ON THE DISCUSSIONS BETWEEN THE AMBASSADOR AND FOREIGN MINISTER, THE EMBASSY (WITH APPROPRIATE ASSISTANCE FROM THE CANAL COMPANY) SHOULD PROPOSE MEETINGS WITH FOREIGN MINISTRY REPRESENTATIVES TO IDENTIFY PRECISELY WHICH CHARGES ARE DISPUTED AND WHICH ARE UNDISPUTED AND TO WORK OUT REPAYMENT ARRANGEMENTS. (IF PANAMA DISPUTES DEBTS OTHER THAN THOSE FOR WHICH THE PANAMA CANAL COMPANY HAS RECORDS OF GOP DISAGREEMENT, THE EMBASSY SHOULD REQUEST THE GOP TO PROVIDE EVIDENCE THAT THEY HAVE IN FACT DISPUTED SUCH CHARGES.)

A) WITH REGARD TO THE UNDISPUTED PORTION OF THESE CLAIMS, THIS AMOUNT WOULD BE OFFSET AGAINST CANAL COMMISSION PAYMENTS TO PANAMA. THE AMOUNT COULD BE DEDUCTED FROM THE FIRST YEAR'S PAYMENTS TO PANAMA UNDER THE TREATY OR ALTERNATELY SPREAD OVER A PERIOD OF NO MORE THAN FIVE YEARS.

B) AS FOR THOSE CLAIMS WHICH HAVE BEEN DISPUTED BY PANAMA, THE EMBASSY SHOULD SEEK AGREEMENT BY DIRECT NEGOTIATION. WHERE THIS CAN BE REACHED, THE AMOUNT WOULD BE DEDUCTED IN THE SAME MANNER AS ABOVE. FAILING AGREEMENT, WE CAN DECIDE WHETHER IT WOULD BE USEFUL TO PROCEED TO SOME FORM OF ARBITRATION.

5. SATISFACTORY PROGRESS IN THE SETTLEMENT OF THESE OUTSTANDING DEBTS WILL HELP ATTAIN CONGRESSIONAL APPROVAL OF REASONABLE TREATY IMPLEMENTATION LEGISLATION. THE EMBASSY SHOULD THEREFORE SEEK MEETINGS WITH THE FOREIGN MINISTRY ON THESE MATTERS AT AN EARLY DATE.

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PAGE 04 STATE 177466

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CANALS, GOVERNMENT DEBTS, MEETING PROCEEDINGS, DEBT REPAYMENTS  
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**Disposition Approved on Date:**  
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**Disposition Date:** 20 Mar 2014  
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